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RUEHAK/AMEMBASSY ANKARA 1805
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C O N F I D E N T I A L SECTION 01 OF 03 DUSHANBE 001650

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SUBJECT: CHINESE MAKING BIG FOOTPRINT ON TAJIKISTAN'S INFRASTRUCTURE

REF: A) DUSHANBE 0419 B) DUSHANBE 0309 C) DUSHANBE 1641

CLASSIFIED BY: Tracey Jacobson, Ambassador, U.S. Embassy, Dushanbe, State.

REASON: 1.4 (b), (d)

[1](#)1. (C) SUMMARY: With \$637 million in low-interest credits for roads, a tunnel and high voltage transmission lines, China has positioned itself as Tajikistan's biggest and fastest-moving foreign investor. By funding key infrastructure projects, China seeks to strengthen its ties with Tajikistan and help its impoverished neighbor, as a safeguard for China's own border. China's loan package falls within the framework of the multilateral Shanghai Cooperation Organization (SCO), but with bilateral cooperation increasing, the Chinese are conscious of how Russia may perceive their actions. The United States cannot compete with the scale of Chinese financing, but thus far China's projects complement our own regional integration strategy by developing key transportation and energy corridors. We must ensure that despite the rhetoric of other SCO members and observers such as Iran, China considers us an ally, not a threat, in the region, with the same goal of stabilizing and developing Tajikistan's economy. END SUMMARY.

ROADS AND POWER LINES

[2](#)2. (SBU) In a two-hour lunch with PolOff August 31, Chinese Embassy Second Secretary Zheng Wei elaborated on the busy and fruitful summer for Chinese-Tajik bilateral relations, starting with the SCO meeting in June, and culminating in the first state visit of a Chinese Premier September 11-14. According to contacts in the Energy and Transport ministries, China will provide credits at two percent interest for three key projects:

--The Dushanbe-Khujand-Chanak road and Shahrستان tunnel: Combined with the Iranian-financed Anzob tunnel, slated to open November 2006, refurbishment of this road to the northern Uzbek border could cut travel time between Dushanbe and Tajikistan's northern commercial capital Khujand by six hours. The \$296 million Chinese project will take two years to complete. After the agreement was inked on June 15, Chinese diggers and bulldozers from the company China Road were already widening the sections closest to Dushanbe July 9.

-- South-North high-voltage transmission line: The three-year \$281 million project will link Tajikistan's southern and northern electricity grids, and establish a high-voltage corridor to Kyrgyzstan that bypasses Uzbekistan. Construction will begin in September.

-- Lolazor-Khatlon 220 kV line. The 90-km line will cost \$60 million. The Chinese company China Theban Electric Apparatus Stock Company Ltd. (CTEAS) will be the general contractor on the Lolazor and South-North lines.

Zheng noted that Tajikistan took advantage of China's "very special offer" of up to \$900 million in low-interest loans to SCO countries, where Kyrgyzstan made only modest requests, and Kazakhstan, Russia and Uzbekistan "didn't need the help."

13. (C) She dismissed press reports that China would finance a
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railroad project from China, through Kyrgyzstan, Tajikistan and Afghanistan to a port in Iran. "The railroad is the Tajiks' dream," she said. "They've proposed it, but we need to start with the three projects on the table and then see about further cooperation." Zheng said the Chinese Premier's September 11-14 visit would piggyback on a SCO meeting in Dushanbe, but may also lead to increased trade and cooperation agreements.

CAN'T BUY ME LOVE?

14. (C) Zheng asked PolOff if she had seen a recent article in the Tajik press, naming Russia as Tajikistan's number one investment partner. Zheng wryly observed that half the article praised Russian investment in Sangtuda-I and Rogun hydropower stations, and called Russia Tajikistan's most reliable ally. The second half of the article lumped together China, the United States, Europe and other investors. "An interesting point of view," she smiled, noting China's loans eclipse all other foreign aid. (NOTE: Embassy staff have been unable to locate the original article, although given the Russian-dominated media in Tajikistan, such a pro-Moscow position would not be surprising. END NOTE.)

15. (C) She wondered out loud whether Russia felt threatened, but remarked the Chinese loans represented a new strategy of increased bilateral engagement and an effort to ensure regional stability with border countries. "China and Tajikistan are neighbors, but this is the first official state visit from China in Tajikistan's 15 year history. We are paying more attention now," she offered.

COMMENT:

16. (C) The Chinese presence in Tajikistan is growing. In addition to the road and power lines, the Chinese have made big investments in telecommunications, and have increased exports of consumer goods to Tajikistan. Exchanges in multiple sectors--defense, sports, education, political parties--suggest Beijing is putting money behind its intentions to pay closer attention to Tajikistan.

17. (C) Despite some raised eyebrows over the amount and terms of the Chinese loans, most international donors in Dushanbe agree the credits finance critical infrastructure projects that would take years to get built through other programs. The International Monetary Fund (IMF) has some concerns Tajikistan may start a cycle of debt taking (Reftel C). Without "meddlesome" safeguards and transparent tender practices, the Chinese can start much faster than other donors, which teaches the Tajiks the wrong lesson about attracting foreign investment and economic assistance -- that it can come fast and cheap without economic structural reforms. China's credits have raised Tajik expectations when dealing with the United States and other international institutions and could cause Tajikistan to look more and more to Beijing for assistance and investment.

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18. (C) The United States cannot compete with China in terms of

lending or investment. Even forgiving the \$17 million in debt (a repeated Tajik request to the United States) would pale in comparison. However, it is a good sign that Tajikistan can find substantial assistance from countries other than Russia. If the Chinese projects continue on schedule-and if Russia and Iran continue to drag their heels on Rogun and Sangtuda-II hydropower stations-China may become an influential counterforce. We will want to ensure that China understands that U.S. interest in the region supports, not rivals, its own. END COMMENT.
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